

Message Text

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C O N F I D E N T I A L KINGSTON 1050

EXDIS

FOR MARSHALL MAYS OPIC AND ASSISTANT SECRETARY ROGERS
FROM AMBASSADOR

E.O. 11652: GDS

TAGS: EMIN, EFIN, PFOR, JM

SUBJECT: OPIC OPERATIONS IN JAMAICA

REFS: (A) KINGSTON 0835, (B) STATE 052313, (C) MAYS'

LETTER FEBRUARY 27 TO AMB GERARD.

1. CLARIFICATION OF REF (B) APPRECIATED AND REGRET

I WAS NOT IN KINGSTON FOR DISCUSSION WITH YOU PRIOR TO
YOUR MEETING WITH MATALON AND FLETCHER.

2. I CAN UNDERSTAND THAT SOME FURTHER PRESSURE COULD
BE GENERATED FOR GOJ SETTLEMENT WITH REVERE BY INFORMING
GOJ THAT OPIC WILL PROBABLY BE FORCED TO PAY OFF IF
REVERE FILES CLAIM.

3. HOWEVER, THIS IS THE ONLY APPARENT BENEFIT, AND IT
SEEMS TO ME THAT THERE ARE AT LEAST THREE MAJOR
PROBABLY ADVERSE REPERCUSSIONS:

A. A BLANK CHHECK WOULD BE GIVEN TO ALL OTHER INSURED
COMPANIES IN THE EVENT THEY, LIKE REVERE, DECIDE THEY
WANT TO THROW IN THE SPONGE.

B. THE COMPANY POSITIONS IN CURRENT NEGOTIATIONS WOULD BE
STRENGTHENED TO THE POINT WHERE THEY MIGHT SEEK TO
IMPOSE POLITICALLY UNACCEPTABLE TERMS ON THE GOJ AND

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THUS DELAY OUR LONG-SOUGHT OBJECTIVE OF MUTUALLY ACCEPTABLE

AND WORKABLE AGREEMENTS.

C. IF REVERE BECOMES OR IS ALREADY AWARE OF OPIC'S POSITION, I SEE LITTLE HOPE OF THEIR MAKING AN ACCEPTABLE DEAL WITH THE GOJ.

4. IF A PAY OFF IS MADE TO REVERE, IT WOULD APPEAR THAT A PRECEDENT IN THE DEFINITION OF EXPROPRIATION WILL HAVE BEEN MADE WHICH WILL BE DIFFICULT INDEED TO LIVE WITH IN THE FUTURE.

5. THE FACTS INDICATE, AND THIS IS WELL KNOWN TO THE JAMAICANS AND EVERYBODY IN THE ALUMINUM INDUSTRY, THAT THE REVERE PROJECT WAS IMPROPERLY DESIGNED AND POORLY MANAGED FROM ITS INCEPTION. FURTHERMORE, THE REASON GIVEN BY REVERE FOR SHUTTING DOWN, NAMELY THE LACK OF A GUARANTEED LABOR CONTRACT, WAS HARDLY CREDIBLE. NO GOVERNMENT IS IN A POSITION TO DELIVER ON SUCH A REQUEST, ALTHOUGH THE GOJ WENT TO CONSIDERABLE LENGTH TO PROVIDE THE ASSURANCES IT COULD. ALL OTHER CONDITIONS FOR REMAINING IN OPERATION MADE BY REVERE WERE MET BY THE GOJ, WHICH HAS ALWAYS RECOGNIZED THAT REVERE WAS A SPECIAL CASE IN NEED OF SPECIAL CONSIDERATION, E.G. RELIEF FROM THE BAUXITE LEVY WAS GRANTED.

6. THE GENERAL CONSENSUS OF INFORMED OBSERVERS HERE WAS THAT REVERE SIMPLY WANTED TO SHUT DOWN FOR ECONOMIC REASONS AND WAS HARD PUT TO COME UP WITH ANY OTHER VALID JUSTIFICATION. UNFORTUNATELY, THE METHOD THEY CHOSE WAS ABRUPT, UNCOOPERATIVE, AND APPARENTLY FABRICATED. (SEE KINGSTON 3197 AUG '75; KINGSTON 2831 JULY '75.) IT GOT ALL THE JAMAICAN BACKS UP, AND I SEE NO MILEAGE WHATSOEVER IN PURSUING THE MATTER FURTHER WITH THE PRIME MINISTER AT THIS POINT. IF I THOUGHT IT WOULD BE PRODUCTIVE, I WOULD HAVE DONE SO. I HAVE, OF COURSE, DISCUSSED THE SITUATION WITH MAYER MATALON MANY TIMES. IT IS NOW UP TO REVERE TO MAKE THE BEST DEAL IT CAN TO SELL ITS PLANT, AND THERE APPEARS TO BE SOME POSSIBILITY OF THIS WITH HUNGARIAN TECHNICAL AND PERHAPS OTHER INPUT.

7. NEGOTIATIONS ARE CURRENTLY PROCEEDING WITH
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REYNOLDS AND ALCOA. THE LATTER ARE THE MOST IMPORTANT IN THAT AN EFFORT IS BEING MADE TO GO DIRECT TO A DETAILED AGREEMENT. IF ACHIEVED, THEY WILL CERTAINLY SET THE PATTERN FOR THE COMPLETION OF THE OTHER AGREEMENTS INCLUDING THAT WITH KAISER.

8. THIS EMBASSY HAS MDE AND CONTINUES TO MAKE EVERY EFFORT TO REPORT FULLY ON THE ONGOING SITUATION, AND I

SUGGEST THAT OPIC'S BEST COURSE AT PRESENT IS TO MAINTAIN THE LOWEST POSSIBLE PROFILE.

9. IN RECENT ANALYSES OF USG INTERESTS, THE COUNTRY TEAM HAS UNANIMOUSLY AGREED THAT IT IS NOT REPEAT NOT ADVISABLE TO PROMOTE FURTHER U.S. INVESTMENT IN JAMAICA AT THIS TIME. WE ALSO FEEL THAT ANY EXTENSION OF OPIC'S ALREADY FORMIDABLE EXPOSURE, EVEN IN NON-EXTRACTIVE INDUSTRIES, WILLNOT EXERT ANY LEVERAGE ON GOJ POLICIES TOWARD THE BAUXITE/ALUMINA INDUSTRY, NOR TOWARD PRIVATE U.S. INVESTMENT IN GENERAL.

10. I LOOK FORWARD TO SEEING YOU IN WASHINGTON NEXT WEEK.
GERARD

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